

ER: 62-2012/a

11 APR 1962

The Honorable Teodoro Moscoso
United States Coordinator
Alliance for Progress
Department of State
Washington 25, D. C.

Dear Ted:

I appreciate your two letters of March 30, one transmitting the information on the Urubupunga Hydroelectric Project and the other forwarding the copy of the memorandum directed to you from Mr. Everett Reimer.

I have asked some of our specialists here to give me a comment on Mr. Reimer's memorandum and I will be in further touch with you on it.

Sincerely,

(Signed) JOHN A. McCONE

John A. McCone
Director

CIA/HISTORICAL REVIEW PROGRAM
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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington 25, D. C.

UNITED STATES COORDINATOR
ALLIANCE FOR PROGRESS

March 30, 1962

The Honorable John McCone
Director, Central Intelligence Agency
Washington 25, D. C.

Dear John:

I am attaching a status report prepared by
a member of my staff on the Urubupunga Hydroelectric
Project.

I believe it contains the information you
requested Tuesday during luncheon.

Sincerely,

Teodoro Moscoso

Attachment

//ID

Memorandum

TO : Mr. Teodoro Moscoso

DATE: March 30, 1962

Through: Mr. Grand

FROM : S. J. Dyche *sd*

SUBJECT: Brazil: Urubupunga Hydroelectric Project

The subject project, which is being developed by "Central Eletrica de Urubupunga" in which the state of Sao Paulo is the major shareholder, is one of fourteen power projects listed in the "emergency plan" of GOB. Neither a project application nor project details have been submitted to or reviewed by AID staff. Total cost of the project probably exceeds \$200 million, with approximately \$80 - 100 million foreign exchange. The state of Sao Paulo is aggressively pushing this project. Recently world-wide bids were received for heavy electrical equipment with financing terms. A Japanese group was low bidder at \$44 million, offering terms of 18 $\frac{1}{2}$ years at 6 $\frac{1}{2}$ % interest with a three year grace period. U.S. and European firms also bid. U.S. firms did not indicate financing terms. European firms offered financing comparable to Japanese, with lower bids than U.S. Europeans have indicated strong interest in project, although they also have some technical reservations.

GOB has not indicated a specific priority for this project vis a vis other power projects or other programs in the "emergency plan." US AID/Brazil has some reservations. The project obviously is designed to meet long-term future requirements and is located almost 400 miles from any large electricity consuming center which, owing to the high cost of constructing grid facilities, would make this project expensive in meeting Brazil's power requirements relative to other proposed projects in the "emergency list." Some officials of the BNDE in Brazil expressed similar reservations in conversations with the Grand Mission in Rio last February. LA/CD fully shares this reservation. With fourteen large power projects under active consideration for external financing GOB clearly should establish some priorities relating these projects to over-all plans for power development. This has not been done to date.

Treasury has taken the position that third country financing for this project should be thoroughly explored, provided suitable terms can be secured, and suggests DAC should focus on this project.

Recommended Position:

Since Japanese offer firmly indicates possibility third country financing, this phase, we should pursue possibility third country financing for completion project and offer U.S. services in presenting and furthering possible DAC financing.